



STATE OF WASHINGTON

OFFICE OF THE FORECAST COUNCIL

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September 4, 2002

TO: Governor's Council of Economic Advisors

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: PRELIMINARY AUGUST ECONOMIC FORECAST

This preliminary forecast was based on DRI-WEFA's August Control forecast for the U.S. economy. You should have received a summary of the DRI-WEFA forecast by email. If not, please contact our office. The new U.S. forecast indicates a slower recovery than the forecast adopted in June. The most significant change in the national forecast is in nonwage personal income, though, which was revised up by 3.0 percent in 2001 in the just completed annual NIPA revision. The nonwage income revision grows to 5.4 percent by the current quarter. Though the starting point for nonwage income is much higher in this forecast, the growth is much lower. By the end of 2005 the revision to the U.S. nonwage personal income forecast shrinks to 1.6 percent.

A comparison of the preliminary U.S. forecast with the forecast adopted in June is shown in Table 2.

The aerospace forecast for Washington remains similar to the forecasts adopted last November, February, and June. We believe that the reductions have totaled about 17,600 by August, including contract workers and non-Boeing aerospace workers, compared to a reduction of 19,900 assumed in November and 19,700 in our last forecast. However the current forecast assumes the decline will be steeper and will extend through the end of 2003 rather than bottoming out at mid-year as in the earlier forecasts. The forecast assumes there will be no work stoppage at Boeing due to the labor dispute. As in June, the forecast also assumes an increase in employment related to the construction of the nuclear waste vitrification plant at Hanford from the current level of about 2,500 to a peak of 4,500. Employment is expected to drop off sharply after the peak in mid-2004, reaching 2,500 by the end of 2005. The software wage assumption is essentially unchanged. Also, as in June, the forecast assumes there will be no major fluctuations in Microsoft stock option activity. In 2002 we are experiencing the first ever year-over-year declines in software employment. In the third quarter the year-over-year decline was 900.

The forecast expects an increase of 1,400 during the next year compared to 2,600 in the previous forecast.

This forecast also incorporates newly available Covered Employment and Payrolls (ES-202) data for the first quarter of 2002. The revision to employment was a negative 8,900 in March. This was the fifth consecutive quarter in which the ES-202 data indicated lower employment than the earlier, sample-based estimates. Though employment appeared to rebound by July, we believe the July growth was overstated by about 6,000 jobs due to a seasonal anomaly that will be offset in the fall. After adjusting for this, the employment shortfall grew to 10,500 by July.

First quarter wages were a whopping \$4.963 billion higher than expected in June though most of the discrepancy is one-time in nature. Software wages were \$1.653 billion higher as a result of a change in the way the BEA will seasonally adjust services wages in the future. Had the new seasonal adjustment procedure been used last time, software wages would have been \$0.002 billion lower than expected in June. This change in methodology only affects the first quarter estimate. The ES-202 data indicate that non-software wages were \$3.310 billion higher than expected. This is the third year in which the ES-202 data showed a spike in the first quarter following a weak fourth quarter. We believe that this indicates a shifting seasonal pattern and will largely be offset in the second quarter. As a result, we have reduced the wage estimate for the second quarter and beyond by \$2.039 billion. Even after these one-time adjustments, however, wages were still \$1.269 billion higher than assumed in June. Normally we use the official BEA estimates for the nonwage personal income components which would have indicated an increase of only \$0.195 billion. The annual NIPA revision showed a very large increase in nonwage personal income which we believe will be reflected in the next state personal income release. As a result, we increased nonwage income by an additional \$2.615 billion in the first quarter for a total increase of \$2.811 billion. The total increase to the level of personal income that we believe will be sustained beyond the first quarter is \$4.080 billion (\$1.269 billion wage and \$2.811 billion nonwage.) Though the initial level of Washington personal income is higher than believed three months ago, the growth rate over the next three years is lower due mainly to changes in the national forecast. Most important is a much lower growth rate of U.S. nonwage income, which is directly reflected in the state forecast.

A comparison of the preliminary Washington forecast with the forecast adopted in June is shown in Table 3.

Review of the forecast by the Governor's Council of Economic Advisors is scheduled for Friday September 6, 2002 at 10:00 a.m., in the **Insurance Building 4th floor conference room**.

If you have any questions, please contact Bret Bertolin, Senior Economic and Revenue Forecast Specialist at (360) 570-6106.

PLEASE NOTE:

Enclosed is a worksheet summarizing the preliminary forecast. **Council members are strongly encouraged to complete and return this worksheet either in person at the Governor's Council meeting or, if unable to attend, by FAX to (360) 753-7022.** This worksheet is relied on by the Forecast Council members and staff to gauge the reasonableness of the preliminary economic forecast and also serves as the basis of an alternative economic and revenue forecast. Please keep in mind the distorting effect of software wages on overall wages and personal income. The table below indicates the impact of our software wage forecast on our overall forecast.

	2002:3	2002	2003	2004	2005:1,2
<u>Washington Real Personal Income, %Ch.</u>					
Baseline	1.2	0.9	1.1	2.5	3.7
Excluding Software	2.8	1.6	1.2	2.4	3.6
Software's Impact	-1.5	-0.7	-0.1	0.1	0.0
<u>Washington Average Annual Wage, %Ch.</u>					
Baseline	-0.5	1.3	2.1	3.5	3.9
Excluding Software	2.2	2.4	2.3	3.5	3.8
Software's Impact	-2.7	-1.1	-0.1	0.0	0.0

CMS: dm/bb
Enclosures

Table 1

U.S. Economic Forecast Comparison

August 2002

	2002:2	2002:3	2002:4	2003:1	2002	2003	2004	2005
Real GDP, Percent Change								
DRI-WEFA	1.1	3.4	3.4	4.3	2.5	3.4	3.3	2.9
Blue Chip	1.1	2.6	3.0	3.4	2.3	3.2		
Economy.com	1.1	2.5	2.3		2.3	3.1		
S&P	1.1	3.2	3.6		2.4	3.7	3.5	3.0
Merril Lynch	1.1	3.5	3.5		2.5	3.8		
3 Month T-Bill Rate, Percent								
DRI-WEFA	1.72	1.74	1.70	1.67	1.72	1.96	3.45	4.94
Blue Chip	1.7	1.7	1.7	2.0	1.7	2.5		
S&P	1.7	1.7	1.7		1.7	2.0	3.4	4.5
Merril Lynch	1.72	1.70	1.75		1.70	2.65		
Consumer Price Index, Percent Change								
DRI-WEFA	3.4	2.9	3.0	3.5	1.8	3.1	2.8	2.7
Blue Chip	3.4	2.1	2.2	2.3	1.6	2.4		
Economy.com	3.4	2.7	1.9		1.7	2.2		
S&P	3.4	2.9	3.1		1.8	3.2	2.9	2.7
Merril Lynch	3.4	2.2	1.0		1.6	1.8		

Table 2

U.S. Forecast Comparison

	2001:4	2002:1	2002:2	2002:3	2002:4	2003:1	2001	2002	2003	2004	2005
Real GDP (Billions of Chained 1996 Dollars)											
August	9248.8	9363.2	9387.9	9466.4	9545.7	9646.1	9214.5	9440.8	9763.6	10084.5	10382.0
Percent Change	2.7	5.0	1.1	3.4	3.4	4.3	0.3	2.5	3.4	3.3	2.9
May	9348.6	9482.1	9531.9	9582.9	9679.8	9773.7	9333.8	9569.2	9914.6	10304.6	10615.9
Percent Change	1.7	5.8	2.1	2.2	4.1	3.9	1.2	2.5	3.6	3.9	3.0
Implicit Price Deflator (1996=1.000)											
August	1.098	1.101	1.108	1.114	1.122	1.131	1.096	1.111	1.142	1.171	1.200
Percent Change	0.8	1.1	2.6	2.2	2.6	3.2	2.0	1.4	2.7	2.6	2.5
May	1.098	1.099	1.106	1.110	1.117	1.124	1.095	1.108	1.134	1.162	1.190
Percent Change	0.8	0.6	2.6	1.6	2.3	2.8	1.9	1.2	2.3	2.4	2.4
Real Personal Income (Billions of Chained 1996 Dollars)											
August	7921.4	7999.3	8049.7	8108.9	8142.9	8188.6	7927.3	8075.2	8248.0	8463.1	8696.6
Percent Change	-1.0	4.0	2.5	3.0	1.7	2.3	1.3	1.9	2.1	2.6	2.8
May	7988.3	8076.7	8086.5	8151.4	8221.4	8306.4	7965.1	8134.0	8415.5	8720.0	8962.7
Percent Change	-1.0	4.5	0.5	3.2	3.5	4.2	2.9	2.1	3.5	3.6	2.8
Wage and Salary Employment											
August	131.13	130.76	130.72	130.82	131.06	131.73	131.93	130.84	132.78	135.57	137.59
Percent Change	-2.4	-1.1	-0.1	0.3	0.7	2.1	0.2	-0.8	1.5	2.1	1.5
May	131.51	131.20	131.35	131.85	132.56	133.28	132.23	131.74	134.22	137.25	139.45
Percent Change	-2.5	-0.9	0.5	1.5	2.2	2.2	0.4	-0.4	1.9	2.3	1.6
Unemployment Rate											
August	5.60	5.60	5.90	5.99	6.10	6.10	4.79	5.90	5.92	5.30	4.98
May	5.60	5.60	6.10	6.10	6.03	5.90	4.79	5.96	5.74	5.20	5.02
Mortgage Rate											
August	6.78	6.97	6.82	6.42	6.27	6.38	6.97	6.62	6.76	7.99	8.31
May	6.78	6.97	6.94	7.04	7.27	7.43	6.97	7.05	7.63	7.67	7.47
3 Month T-Bill Rate											
August	1.91	1.72	1.72	1.74	1.70	1.67	3.39	1.72	1.96	3.45	4.94
May	1.91	1.72	1.60	1.74	2.24	2.67	3.39	1.82	3.68	5.09	5.10

Table 3

Washington Forecast Comparison

	2001:4	2002:1	2002:2	2002:3	2002:4	2003:1	2001	2002	2003	2004	2005
Real Personal Income (Billions of Chained 1996 Dollars)											
August	173.817	175.874	175.192	175.726	176.338	176.939	174.173	175.782	177.786	182.175	188.046
Percent Change	-2.6	4.8	-1.5	1.2	1.4	1.4	0.3	0.9	1.1	2.5	3.2
May	170.066	169.154	170.470	171.554	172.756	174.234	171.740	170.984	176.306	182.805	189.044
Percent Change	-4.7	-2.1	3.2	2.6	2.8	3.5	0.1	-0.4	3.1	3.7	3.4
Personal Income											
August	190.918	193.705	194.172	195.840	197.810	200.051	190.828	195.382	203.038	213.364	225.682
Percent Change	-1.8	6.0	1.0	3.5	4.1	4.6	2.3	2.4	3.9	5.1	5.8
May	186.655	185.931	188.573	190.510	192.941	195.921	188.092	189.489	199.981	212.425	224.964
Percent Change	-3.9	-1.5	5.8	4.2	5.2	6.3	1.9	0.7	5.5	6.2	5.9
Wage and Salary Employment											
August	2662.8	2645.1	2634.1	2635.4	2639.9	2650.5	2696.4	2638.6	2667.0	2726.2	2782.9
Percent Change	-4.4	-2.6	-1.7	0.2	0.7	1.6	-0.6	-2.1	1.1	2.2	2.1
May	2664.3	2652.5	2640.3	2644.7	2655.7	2668.0	2698.1	2648.3	2686.1	2753.8	2818.3
Percent Change	-4.2	-1.8	-1.8	0.7	1.7	1.9	-0.5	-1.8	1.4	2.5	2.3
Manufacturing Employment											
August	326.6	316.0	310.9	307.6	306.8	306.6	338.3	310.3	305.7	309.8	320.2
Percent Change	-11.5	-12.4	-6.3	-4.2	-1.1	-0.2	-4.2	-8.3	-1.5	1.4	3.3
May	327.1	316.8	311.2	308.7	307.4	307.6	338.6	311.0	307.7	313.6	323.3
Percent Change	-11.1	-12.0	-6.9	-3.1	-1.7	0.4	-4.1	-8.1	-1.1	1.9	3.1
Construction Employment											
August	150.8	149.8	148.9	150.6	150.8	150.9	155.4	150.0	150.5	152.0	153.1
Percent Change	-9.2	-2.7	-2.1	4.4	0.8	0.1	-3.0	-3.5	0.3	1.0	0.7
May	151.0	148.6	144.2	143.9	144.8	145.7	155.4	145.4	147.0	152.3	158.4
Percent Change	-7.8	-6.3	-11.2	-0.9	2.4	2.5	-3.0	-6.5	1.1	3.6	4.0
Housing Permits											
August	34.406	36.214	43.812	40.729	37.029	37.491	38.345	39.446	37.916	37.697	39.441
Percent Change	-35.9	22.7	114.2	-25.3	-31.7	5.1	-1.7	2.9	-3.9	-0.6	4.6
May	34.406	36.214	39.336	37.812	36.710	36.051	38.345	37.518	35.499	38.785	41.449
Percent Change	-35.9	22.7	39.2	-14.6	-11.2	-7.0	-1.7	-2.2	-5.4	9.3	6.9

Table 4.1
Monthly Nonfarm Employment Estimates
Seasonally Adjusted

Current Employment Statistics

	2001:7	2001:8	2001:9	2001:10	2001:11	2001:12	2002:1	2002:2	2002:3	2002:4	2002:5	2002:6	2002:7
Wage and Salary Employment	2701.8	2696.5	2682.2	2678.4	2668.8	2648.6	2666.0	2655.0	2648.0	2651.4	2652.3	2644.5	2652.6
Manufacturing	338.4	337.1	334.6	331.6	327.5	320.2	318.9	317.0	315.3	313.6	312.8	311.2	310.1
Durable Manufacturing	234.5	233.2	232.0	229.7	226.8	221.0	219.8	217.7	215.6	215.2	214.2	212.0	211.4
Lumber & Wood	31.3	30.9	30.9	30.9	30.5	30.2	30.3	30.3	30.3	30.3	30.4	30.1	30.4
Furniture	4.7	4.7	4.6	4.6	4.5	4.5	4.6	4.5	4.5	4.4	4.4	4.3	4.3
Stone-Clay-Glass	8.6	8.6	8.5	8.5	8.5	8.4	8.5	8.4	8.4	8.4	8.3	8.3	8.3
Primary Metals	8.7	8.8	8.6	8.2	8.2	7.8	7.7	7.6	7.5	7.3	7.3	7.3	7.4
Fabricated Metals	14.1	14.0	14.1	14.1	14.0	13.7	13.7	13.9	13.5	13.6	13.6	13.3	13.3
Nonelectrical Machinery	24.2	24.0	23.7	23.1	22.8	22.6	22.2	22.0	21.9	21.9	21.7	21.6	21.6
Electrical Machinery	19.0	18.7	18.1	17.8	17.3	16.7	16.3	16.2	16.0	15.8	15.7	15.6	15.7
Aerospace	87.6	87.6	87.4	87.2	86.3	82.3	81.5	79.9	78.5	78.0	77.3	76.0	75.1
Other Trans. Equipment	13.2	13.1	13.2	12.8	12.6	12.7	12.7	12.7	12.7	13.1	13.3	13.2	13.1
Instruments	14.6	14.5	14.6	14.5	14.2	14.2	14.3	14.3	14.2	14.2	14.0	14.1	14.0
Other Durables	8.5	8.3	8.3	8.0	7.8	7.9	8.2	8.1	8.2	8.2	8.2	8.1	8.2
Nondurable Manufacturing	103.9	103.9	102.6	101.9	100.8	99.2	99.1	99.3	99.6	98.4	98.6	99.2	98.6
Food and Kindred Products	40.2	40.3	39.6	38.7	37.5	36.6	37.0	37.1	37.5	36.6	37.0	37.8	37.6
Apparel	7.5	7.6	7.4	7.5	7.6	7.6	7.5	7.4	7.3	7.4	7.4	7.3	7.3
Pulp and Paper	14.8	14.8	14.7	14.7	14.8	14.5	14.1	14.1	14.2	14.1	14.2	14.2	14.0
Printing	23.4	23.2	22.8	23.0	22.9	22.8	22.7	22.8	22.8	22.5	22.4	22.2	22.3
Chemicals	6.0	6.0	6.0	5.9	6.0	5.9	5.9	5.9	5.8	5.7	5.8	5.8	5.8
Other Nondurables	12.0	12.0	12.0	12.1	12.0	11.8	11.9	12.0	12.0	12.0	11.8	11.8	11.7
Mining	3.5	3.5	3.4	3.3	3.2	3.2	3.1	3.1	3.1	3.1	3.1	3.1	3.2
Construction	154.1	154.7	153.8	149.6	148.1	145.9	146.3	145.3	142.1	141.7	143.7	144.3	144.5
Trans., Comm., and Utilities	147.2	146.2	144.8	143.2	141.8	140.3	141.1	140.3	138.7	138.1	139.1	137.5	138.2
Wholesale Trade	144.2	143.8	143.0	142.1	141.5	141.5	141.5	140.7	140.1	139.7	139.1	138.3	139.5
Retail Trade	490.7	490.6	487.4	486.3	485.1	480.6	488.8	486.9	488.1	488.2	486.5	485.4	486.3
Finance-Insurance-Real Estate	141.3	141.9	142.8	143.4	143.9	143.3	144.1	144.2	144.3	144.4	143.9	143.6	143.6
Services	773.3	771.5	766.3	766.5	764.3	761.2	766.7	764.1	763.8	767.3	768.5	768.4	770.4
Federal Government	67.8	68.2	68.7	69.6	69.5	69.1	69.6	69.8	68.7	69.3	68.7	68.9	69.0
State and Local Government	441.6	439.1	437.3	442.7	443.9	443.2	445.9	443.5	443.8	446.1	447.0	443.8	448.0

Table 4.2
Monthly Nonfarm Employment Estimates
Seasonally Adjusted

Forecast Council Assumptions

	2001:7	2001:8	2001:9	2001:10	2001:11	2001:12	2002:1	2002:2	2002:3	2002:4	2002:5	2002:6	2002:7
Wage and Salary Employment	2701.1	2696.0	2682.3	2673.9	2660.9	2653.5	2654.9	2643.2	2637.2	2634.9	2637.6	2629.8	2637.9
Manufacturing	338.4	337.2	334.6	330.0	326.5	323.1	318.9	315.3	313.7	311.8	311.2	309.8	308.5
Durable Manufacturing	234.5	233.2	231.8	228.4	226.0	223.4	219.0	216.2	215.1	214.4	213.6	211.6	210.9
Lumber & Wood	31.3	30.9	30.9	30.7	30.4	29.8	29.7	29.8	30.3	30.1	30.3	30.1	30.3
Furniture	4.7	4.7	4.6	4.5	4.4	4.4	4.3	4.3	4.2	4.2	4.2	4.2	4.2
Stone-Clay-Glass	8.6	8.6	8.5	8.4	8.5	8.4	8.6	8.6	8.4	8.4	8.4	8.3	8.3
Primary Metals	8.6	8.7	8.5	8.1	8.1	8.0	7.8	7.6	7.4	7.4	7.4	7.3	7.3
Fabricated Metals	14.1	14.0	14.0	13.9	13.8	13.7	13.6	13.5	13.4	13.4	13.4	13.2	13.1
Nonelectrical Machinery	24.3	24.1	23.8	23.5	23.0	22.5	22.2	22.1	22.0	22.0	21.9	21.8	21.8
Electrical Machinery	19.0	18.7	18.1	17.7	17.3	16.8	16.4	16.0	15.9	15.8	15.6	15.5	15.7
Aerospace	87.6	87.6	87.4	86.2	85.7	85.5	81.8	80.1	78.8	78.2	77.4	76.1	75.3
Other Trans. Equipment	13.2	13.0	13.1	12.7	12.5	12.5	12.5	12.5	12.6	13.0	13.3	13.2	13.2
Instruments	14.6	14.5	14.6	14.4	14.2	14.0	14.2	13.9	14.0	13.9	13.8	13.9	13.8
Other Durables	8.5	8.4	8.3	8.3	8.2	7.8	7.9	8.0	8.1	8.1	8.0	8.1	8.0
Nondurable Manufacturing	103.9	104.0	102.8	101.6	100.5	99.7	99.8	99.1	98.5	97.3	97.6	98.1	97.7
Food and Kindred Products	40.2	40.3	39.6	39.1	38.5	38.3	38.9	38.4	38.1	37.2	37.5	38.2	38.0
Apparel	7.5	7.6	7.4	7.3	7.2	7.0	6.9	6.9	6.8	6.8	6.9	6.7	6.8
Pulp and Paper	14.8	14.8	14.8	14.7	14.7	14.4	14.1	14.0	14.1	14.1	14.2	14.1	13.9
Printing	23.4	23.2	22.8	22.6	22.4	22.3	22.1	22.2	22.0	21.7	21.6	21.5	21.6
Chemicals	6.0	6.0	6.0	5.9	5.9	5.9	6.0	5.9	5.9	5.8	5.8	5.9	5.9
Other Nondurables	12.0	12.1	12.1	12.0	11.9	11.8	11.8	11.7	11.7	11.7	11.6	11.6	11.4
Mining	3.5	3.5	3.4	3.4	3.4	3.4	3.1	3.1	3.1	3.2	3.2	3.1	3.3
Construction	154.3	155.1	154.0	152.2	150.8	149.3	150.7	150.5	148.0	147.3	149.6	149.9	150.4
Trans., Comm., and Utilities	146.9	145.8	144.4	143.9	142.1	140.9	141.5	140.8	139.5	139.0	139.7	138.5	138.9
Wholesale Trade	144.2	143.8	143.0	141.2	141.4	140.6	142.0	141.1	140.2	139.8	139.2	138.3	139.5
Retail Trade	490.8	490.6	488.2	484.7	482.2	479.6	481.4	478.9	479.1	477.1	475.6	474.3	475.1
Finance-Insurance-Real Estate	141.4	141.7	142.7	142.4	142.6	142.7	141.9	142.4	141.8	141.8	141.2	140.9	141.2
Services	772.1	770.8	765.7	765.6	764.3	761.3	762.5	762.1	761.7	762.7	765.3	765.3	766.8
Federal Government	67.8	68.2	68.7	68.8	68.6	68.7	68.8	68.6	67.6	68.0	67.3	67.5	67.8
State and Local Government	441.9	439.4	437.6	441.7	438.9	443.9	444.1	440.3	442.5	444.2	445.2	442.3	446.3

Table 4.3
Monthly Nonfarm Employment Estimates
Seasonally Adjusted

Difference

	2001:7	2001:8	2001:9	2001:10	2001:11	2001:12	2002:1	2002:2	2002:3	2002:4	2002:5	2002:6	2002:7
Wage and Salary Employment	-0.7	-0.5	0.2	-4.5	-7.9	4.9	-11.1	-11.8	-10.8	-16.5	-14.8	-14.7	-14.7
Manufacturing	0.0	0.1	0.0	-1.6	-1.0	2.9	0.0	-1.7	-1.6	-1.8	-1.6	-1.5	-1.5
Durable Manufacturing	0.0	0.0	-0.2	-1.3	-0.8	2.4	-0.8	-1.5	-0.5	-0.8	-0.6	-0.4	-0.6
Lumber & Wood	0.0	0.0	0.0	-0.2	-0.2	-0.4	-0.6	-0.5	0.0	-0.1	-0.1	-0.1	-0.1
Furniture	0.0	0.0	0.0	-0.1	-0.1	-0.1	-0.2	-0.1	-0.2	-0.2	-0.2	-0.1	-0.1
Stone-Clay-Glass	0.0	0.0	0.0	-0.1	0.0	0.0	0.1	0.2	0.1	0.0	0.1	0.1	0.0
Primary Metals	-0.1	-0.1	-0.1	-0.1	-0.1	0.2	0.2	0.0	0.0	0.1	0.1	0.0	0.0
Fabricated Metals	0.0	0.0	-0.1	-0.2	-0.2	0.0	-0.1	-0.4	-0.1	-0.2	-0.2	-0.1	-0.2
Nonelectrical Machinery	0.1	0.1	0.1	0.4	0.1	-0.1	0.0	0.1	0.1	0.1	0.2	0.1	0.1
Electrical Machinery	0.0	0.0	0.0	-0.1	0.0	0.1	0.2	-0.1	0.0	0.0	-0.1	0.0	0.0
Aerospace	0.0	0.0	0.0	-1.0	-0.6	3.2	0.2	0.1	0.2	0.2	0.1	0.1	0.1
Other Trans. Equipment	0.0	-0.1	-0.1	-0.1	-0.1	-0.2	-0.1	-0.2	-0.1	-0.1	0.0	0.0	0.1
Instruments	0.0	0.0	0.0	-0.1	0.0	-0.2	-0.1	-0.4	-0.2	-0.3	-0.2	-0.2	-0.2
Other Durables	0.0	0.1	0.0	0.3	0.4	-0.1	-0.3	-0.1	-0.2	-0.2	-0.2	-0.1	-0.2
Nondurable Manufacturing	0.0	0.1	0.2	-0.2	-0.2	0.5	0.8	-0.2	-1.1	-1.0	-1.0	-1.1	-1.0
Food and Kindred Products	0.0	0.0	0.0	0.5	1.0	1.7	2.0	1.2	0.6	0.5	0.5	0.4	0.4
Apparel	0.0	0.0	0.0	-0.2	-0.4	-0.6	-0.7	-0.6	-0.5	-0.5	-0.5	-0.6	-0.5
Pulp and Paper	0.0	0.0	0.1	0.0	-0.1	-0.1	0.0	-0.1	-0.1	0.0	0.0	-0.1	-0.1
Printing	0.0	0.0	0.0	-0.4	-0.5	-0.5	-0.6	-0.6	-0.8	-0.8	-0.8	-0.7	-0.7
Chemicals	0.0	0.0	0.0	0.0	-0.1	0.0	0.1	0.0	0.1	0.1	0.0	0.1	0.1
Other Nondurables	0.0	0.1	0.1	-0.1	-0.1	0.0	0.0	-0.2	-0.3	-0.3	-0.2	-0.2	-0.2
Mining	0.0	0.0	0.0	0.1	0.2	0.2	0.0	0.0	0.0	0.1	0.1	0.0	0.1
Construction	0.3	0.4	0.2	2.6	2.8	3.4	4.4	5.2	5.9	5.6	5.9	5.6	5.9
Trans., Comm., and Utilities	-0.3	-0.4	-0.4	0.7	0.3	0.6	0.4	0.5	0.9	0.9	0.6	0.9	0.7
Wholesale Trade	0.0	0.0	0.0	-0.9	-0.1	-0.9	0.6	0.4	0.1	0.1	0.0	0.0	0.0
Retail Trade	0.1	0.0	0.8	-1.6	-2.9	-1.0	-7.4	-8.0	-9.1	-11.1	-10.8	-11.1	-11.2
Finance-Insurance-Real Estate	0.1	-0.2	-0.1	-1.0	-1.3	-0.6	-2.2	-1.8	-2.5	-2.6	-2.7	-2.6	-2.3
Services	-1.2	-0.7	-0.6	-1.0	0.0	0.1	-4.2	-2.0	-2.1	-4.6	-3.2	-3.1	-3.5
Federal Government	0.0	0.0	0.0	-0.8	-0.9	-0.4	-0.8	-1.2	-1.0	-1.3	-1.3	-1.4	-1.2
State and Local Government	0.3	0.3	0.3	-1.0	-5.0	0.6	-1.9	-3.2	-1.3	-1.9	-1.7	-1.5	-1.6

Advisor's Name: _____

Forecast Worksheet September 3, 2002

	2002:Q3	2002	2003	2004	Average 2005:1,2
<u>U.S.</u>					
Real GDP, %Ch					
Baseline	3.4	2.5	3.4	3.3	3.2
Your Opinion	_____	_____	_____	_____	_____
Implicit Price Deflator, % Ch					
Baseline	2.2	1.4	2.7	2.6	2.4
Your Opinion	_____	_____	_____	_____	_____
Mortgage Rate, Percent					
Baseline	6.4	6.6	6.8	8.0	8.4
Your Opinion	_____	_____	_____	_____	_____
<u>Washington State</u>					
Real Personal Income, % Ch					
Baseline	1.2	0.9	1.1	2.5	3.7
Your Opinion	_____	_____	_____	_____	_____
Wage and Salary Employment, % Ch					
Baseline	0.2	-2.1	1.1	2.2	1.9
Your Opinion	_____	_____	_____	_____	_____
Manufacturing Employment, % Ch					
Baseline	-4.2	-8.3	-1.5	1.4	3.5
Your Opinion	_____	_____	_____	_____	_____
Construction Employment, % Ch					
Baseline	4.4	-3.5	0.3	1.0	0.7
Your Opinion	_____	_____	_____	_____	_____
Housing Permits (Thousands)					
Baseline	40.7	39.4	37.9	37.7	38.6
Your Opinion	_____	_____	_____	_____	_____
Washington Average Annual Wage, % Ch					
Baseline	-0.5	1.3	2.1	3.5	3.9
Your Opinion	_____	_____	_____	_____	_____